

Message Text

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ACTION PM-04

INFO OCT-01 EA-07 ISO-00 ACDA-05 MC-02 CIAE-00 INR-07

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C O N F I D E N T I A L SEOUL 6105

STATE FOR PM/SAS; STATE ALSO PASS ACDA; USDOC FOR OFFICE EXPORT
DEVELOPMENT

E.O. 11652: GDS

TAGS: MASS MMOL BEXP EMAG KS

SUBJECT: ROKG DECISION TO IN-COUNTRY PRODUCE DESTROYER CLASS
VESSEL/REQUEST FOR USG ASSISTANCE IN COMPILING DESIGN
AND GENERAL PRICE AND AVAILABILITY DATA

REF: CHJUSMAGK MSG 081125Z AUG 75

SUMMARY. DURING WEEK AUGUST 4-8, 1975, ROK NAVY CONTACTED
JUSMAG/EMBASSY AND INFORMED US THAT BLUE HOUSE HAS MADE GO-
AHEAD DECISION ON PDOGRAM FOR IN-COUNTRY PRODUCTION OF 1,500
TON DESTROYER CLASS VESSELS. ROKN HAS STRESSED FACT THAT
AFTER SEVERAL MONTHS OF INDECISION, PROJECT NOW ENJOYS VERY
HIGH PRIORITY AND ROKN TEAM IS NOW WORKING WITHIN SHORT TIME
FRAME TO COLLECT DESIGN/PRICING DATA FOR FINAL PROJECT
APPROVAL SCHEDULED FOR 15 SEPTEMBER 1975. ROKN PROJECT
OFFICIALS AS WELL AS DESIGNATED LOCAL CONTRUCTOR (HYUNDAI
SHIPBUILDING) HOPE TO TOTALLY LINK PROJECT TO U.S. SUPPLIERS OF
DESIGN AND TECHNICAL ASSISTANCE AND MAJOR EQUIPMENT. ROKG
THUS DESIRES ESTABLISH WORKING RELATIONSHIP WITH U.S. FIRM
ASAP WHILE SECURING CONCURRENCE STATE DEPT AND DOD. END
SUMMARY.
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1. ROKN PROJECT OFFICER, CAPT. PAK SON-YONG, IN BACKGROUND
BRIEFING ON 7 AUGUST, STATED "DESTROYER-MEDIUM" PROJECT WAS
VERY RECENTLY APPROVED AND THAT ROKN HAS BEEN INSTRUCTED
PRESENT DETAILED BRIEFING (FEASIBILITY STUDY) ON SHIP DESIGN,

PERFORMANCE, POSSIBLE WEAPONS SYSTEMS PACKAGES, AND COST BY SEPTEMBER 15, AT WHICH TIME CONTRACT WILL BE LET. PRIME CONTRACT WILL GO TO GOVERNMENT-SUPPORTED HYUNDAI SHIPBUILDING, AND HYUNDAI OFFICIALS AND ENGINEERS HAVE ALREADY BEEN BROUGHT INTO PICTURE. BOTH ROKN AND HYUNDAI HAVE SELECTED U.S. FIRM OF GIBBS AND COX AS DESIRED SUB-CONTRACTOR FOR DESIGN WORK, TECHNICAL ASSISTANCE, AND U.S. PROCUREMENT OF MATERIALS. ROKN SIDE HAS MADE CLEAR IT DESIRES PROCURE TECHNICAL ASSISTANCE AND MAIN EQUIPMENT (PROPULSION, ETC.) FROM U.S. COMMERCIAL SIDE AND AS MUCH OF WEAPONS PACKAGE AS POSSIBLE VIA USG FMS-CASH SALES INSTRUMENT. DD-MEDIUM PROJECT IS NUMBER 120 ON PRIORITY LIST AND ROKN OFFICERS INDICATE THAT THEIR UNDERSTANDING IS THAT NO GRANT OR FMS CREDIT AID WILL BE REQUESTED FOR PROGRAM. ROKN IN-HOUSE PRESSURE TO START UP PROJECT IS SUCH THAT ROKN-HYUNDAI EIGHT-MAN TEAM PLANS DEPART SEOUL FOR NEW YORK ON AUGUST 15 FOR DISCUSSIONS WITH GIBBS AND COX.

2. REQUESTED ACTION: ROKN HAS REQUESTED USG LEND ALL SUPPORT POSSIBLE TO PROJECT TO INCLUDE NOT ONLY GENERAL CONCURRENCE ON PROGRAM CONCEPT, BUT ALSO U.S. STATE DEPT/DOD CONTACT WITH GIBBS AND COX TO ASSURE LATTER PROJECT HAS USG CONCURRENCE. ROKN TEAM APPEARS PARTICULARLY CONCERNED THAT U.S. FIRM WILL NOT RELEASE DESIGN DATA TO ALLOW ROKN TO COMPILE FEASIBILITY STUDY TIED TO U.S. ASSISTANCE BY SEPTEMBER 15 DEADLINE.

3. ROKN, IN DISCUSSIONS, MADE "OFF THE RECORD" COMMENT THAT SHORT TIME FRAME TO FIRM UP PACKAGE ACTUALLY WORKS TO U.S. COMMERCIAL AND USG ADVANTAGE AS OTHER INTERESTED FIRMS (U.K. VOSPER AND ITALIAN FIRM) HAVE NOT YET HAD TIME TO MUSTER POLITICAL CLOUT TO FORCE THEIR PROPOSALS TO BE CONSIDERED. ROKN SIDE QUITE OBVIOUSLY DESIRES ESTABLISH DD-MEDIUM PROJECT AS ROKN/HYUNDAI-U.S./GIBBS AND COX UNDERTAKING BUT FEARS THAT LACK OF USG RESPONSIVENESS/ASSISTANCE ON WHAT IS BASICALLY STRAIGHT COMMERCIAL DEAL MAY ALLOW U.K. OR OTHER EUROPEAN CONFIDENTIAL

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FIRMS TO GET FOOT IN DOOR.

4. COMMENT: JUSMAG/EMBJSSY BELIEVE ROKN TEAM HAS PRESENTED HONEST OVERVIEW OF FAST DEVELOPING SITUATION. BELIEVE ALSO THAT ROKN ACTION OFFICERS, WHO FULLY AWARE OF AGGRESSIVENESS OF OTHER NATIONS IN PUSHING COMMERCIAL MILITARY DEALS AND LOCAL POLITICAL FORCES THAT CAN COME INTO PLAY, ARE MAKING HONEST IF SOMEWHAT CONFUSED PITCH TO SECURE EARLY USG CONCURRENCE AND COMMERCIAL ASSISTANCE TO KEEP PROJECT A U.S.-ROK ONE. CAPT. PAK ASSURED US THAT IF AUGUST 15 ROKN-HYUNDAI TEAM RECEIVED REQUESTED COOPERATION FROM GIBBS AND COX, SEPTEMBER 15 BRIEFING WOULD INVOLVE ONLY U.S.-ASSISTED DESIGN AND THAT ROKN WOULD BE ABLE KEEP U.K. AND ITALIAN ENTRANTS AT ARM'S LENGTH. RECOMMEND ADDRESSEES

ASSISTANCE AND COOPERATION WITH GIBBS AND COX TO ASURE
RELEASE OF NECESSARY PRICE AND AVAILABILITY DATA TO ALLOW
ROK TEAM COMPILE SATISFACTORY FEASIBILITY STUDY. ON SEOUL
END WE SEE ROKS AS DETERMINED TO MOVE AHEAD ON THIS PROJECT.
BOTH BECAUSE WE DESIRE TO KEEP ROKG MILITARY PROCUREMENT AND
DEFENSE PRODUCTION IN US CHANNELS AND MAXIMIZE POTENTIAL
US EXPORT SALES, EMBASSY/JUSMAG ARE PROVIDING ROKN AND HYUNDAI
FULL COOPERATION PENDING WASHINGTON CONCURRENCE.
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